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OMB APPROVAL	
OMB Number:	3235-0123
Expires:	January 31, 2007
Estimated average burden hours per response...	12.00

**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

SEC FILE NUMBER
8- 052364

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/2005 AND ENDING 12/31/05  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Matrix Private Equities, Inc.

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

11 South 12th Street, 3rd Floor

(No. and Street)

Richmond

VA

23219

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Carolyn Kasky

404-303-8840 ext 207

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Goodman & Company

(Name - if individual, state last, first, middle name)

4510 Cox Road, Suite 200

Glen Allen

VA

23060

(Address)

(City)

(State)

(Zip Code)

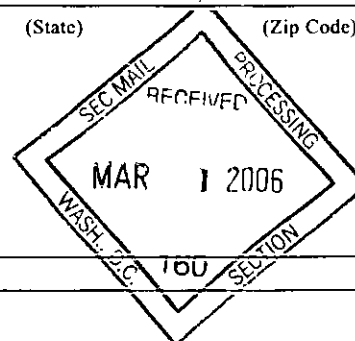
CHECK ONE:

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions.

PROCESSED

JUN 6 2006

THOMSON  
FINANCIAL



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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

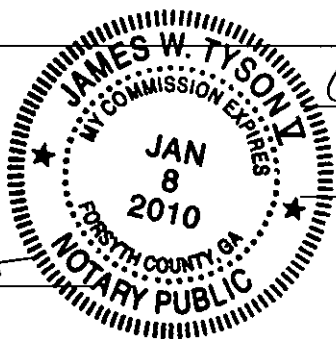
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## OATH OR AFFIRMATION

I, Carolyn Kasky, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Matrix Private Equities, Inc., as of December 31, 20 05, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

  
Carolyn Kasky  
Signature  
SINOT  
Title  
James W. Tyson  
Notary Public

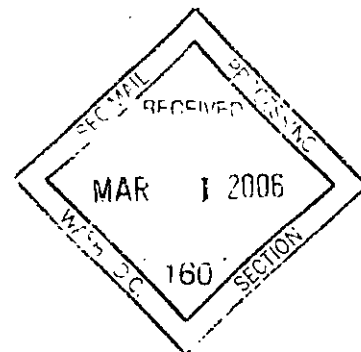
This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☒ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

***Financial Statements  
Years Ended  
December 31, 2005***

***Matrix Private Equities, Inc.***



***Goodman***  
**& COMPANY**

Certified Public Accountants  
Financial Planning  
Specialized Services

***Matrix Private Equities, Inc.***

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Certified Public Accountants  
Specialized Services  
Business Solutions

## *Report of Independent Auditors*

Board of Directors  
*Matrix Private Equities, Inc.*

We have audited the accompanying balance sheet of *Matrix Private Equities, Inc.* as of December 31, 2005, and the related statements of operations, changes in stockholder's equity and cash flows for the years then ended that you are filing pursuant to Rule 17a-5 under the Securities and Exchange Act of 1934. These financial statements are the responsibility of the management of *Matrix Private Equities, Inc.* Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of *Matrix Private Equities, Inc.* as of December 31, 2005, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Glen Allen, Virginia  
February 9, 2006

4510 Cox Road, Suite 200  
Glen Allen, VA 23060-3394  
ph: 804.282.7636  
fax: 804.282.1461  
[www.goodmanco.com](http://www.goodmanco.com)

***Matrix Private Equities, Inc.***

***Balance Sheet***

<b>December 31,</b>		<b>2005</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash		\$ 427,729
Prepaid expenses		819
<b>Total current assets</b>		<b>428,548</b>
<b>Goodwill</b>		<b>20,303</b>
		<b>\$ 448,851</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current liabilities</b>		
Due to related party		\$ 16,006
<b>Stockholders' equity</b>		
Common stock		29
Additional paid-in capital		217,737
Retained earnings		215,079
<b>Total stockholder's equity</b>		<b>432,845</b>
		<b>\$ 448,851</b>

*The accompanying notes are an integral part of these financial statements.*

***Matrix Private Equities, Inc.***

***Statements of Operations***

	January 1, 2005 - May 26, 2005	May 27, 2005 - December 31, 2005	Total
<b>Fee income</b>	<b>\$ 2,425,000</b>	<b>\$ 270,000</b>	<b>\$ 2,695,000</b>
<b>Operating expenses</b>			
Commissions	1,092,975	86,905	1,179,880
Allocated general and administrative expenses	92,564	95,416	187,980
Professional fees	6,500	13,088	19,588
Miscellaneous	1,021	5,065	6,086
Taxes licenses and permits	2,751	194	2,945
	<u>1,195,811</u>	<u>200,668</u>	<u>1,396,479</u>
<b>Income from operations</b>	<b>1,229,189</b>	<b>69,332</b>	<b>1,298,521</b>
<b>Income tax expense</b>	<b>19,965</b>	<b>-</b>	<b>19,965</b>
<b>Net income</b>	<b>\$ 1,209,224</b>	<b>\$ 69,332</b>	<b>\$ 1,278,556</b>

*The accompanying notes are an integral part of these financial statements.*

***Matrix Private Equities, Inc.***

***Statements of Changes in Stockholder's Equity***

***Year Ended December 31, 2005***

	<b>Common Stock</b>	<b>Additional Paid-In Capital</b>	<b>Retained Earnings (Deficit)</b>	<b>Total</b>
<b>Balance - December 31, 2004</b>	<b>\$ 30</b>	<b>\$ 124,970</b>	<b>\$ 136,523</b>	<b>\$ 261,523</b>
Net income	-	-	1,209,224	1,209,224
Contribution of capital - forgiveness of tax liability to parent	-	104,475	-	104,475
Distribution to stockholder	-	-	(1,200,000)	(1,200,000)
<b>Balance - May 26, 2005</b>	<b>\$ 30</b>	<b>\$ 229,445</b>	<b>\$ 145,747</b>	<b>\$ 375,222</b>
Excess paid in for fair value on stock purchase	-	13,291	-	13,291
Net income	-	-	69,332	69,332
Redemption of common stock	(1)	(24,999)	-	(25,000)
<b>Balance - December 31, 2005</b>	<b>\$ 29</b>	<b>\$ 217,737</b>	<b>\$ 215,079</b>	<b>\$ 432,845</b>

*The accompanying notes are an integral part of these financial statements.*



**Matrix Private Equities, Inc.****Statements of Cash Flows**

	January 1, 2005 - May 26, 2005	May 27, 2005 - December 31, 2005	Total
<b>Cash flows from operating activities</b>			
Net income	\$ 1,209,224	\$ 69,332	\$ 1,278,556
Adjustments to reconcile to net cash from operating activities:			
Change in:			
Prepaid expenses	264	497	761
Due to related party	(291,071)	13,409	(277,662)
Net cash from operating activities	918,417	83,238	1,001,655
<b>Cash flows from financing activities</b>			
Direct acquisition costs	-	(7,011)	(7,011)
Distributions to stockholder	(1,200,000)	-	(1,200,000)
Redemption of common stock	-	(25,000)	(25,000)
Net cash from financing activities	(1,200,000)	(32,011)	(1,232,011)
Net change in cash and cash equivalents	(281,583)	51,227	(230,356)
Cash - beginning of period	658,085	376,502	658,085
Cash - end of period	\$ 376,502	\$ 427,729	\$ 427,729

*The accompanying notes are an integral part of these financial statements.*

## ***Matrix Private Equities, Inc.***

### ***Notes to Financial Statements***

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**December 31, 2005**

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#### **1. Organization and Nature of Business**

***Matrix Private Equities, Inc.*** (Company), formerly a wholly owned subsidiary of AXA Financial, Inc., is a broker-dealer, providing merger and acquisition consulting services to primarily privately held companies, and assisting with the placement of new offerings of debt and equity securities. The Company's principal office is located in Richmond, Virginia. On May 26, 2005, 100% of the outstanding stock of the Company was purchased by directors of the Company (see Note 6).

#### **2. Summary of Significant Accounting Policies**

##### **Cash and Cash Equivalents**

The Company considers all highly liquid investments with a remaining maturity of three months or less at the time of purchase to be cash equivalents. There were no cash equivalents at year-end.

##### **Concentration of Credit Risk**

At times, the Company may have cash and cash equivalents at a financial institution in excess of insured limits. The Company places its cash and cash equivalents with high credit quality financial institutions whose credit rating is monitored by management to minimize credit risk.

##### **Goodwill**

Goodwill represents the excess of the cost over the fair value of the net assets acquired at the date of acquisition. The amount is subject to annual assessment for impairment by applying a fair value based test. At December 31, 2005, no impairment losses were recognized.

##### **Fee income**

Fee income includes fees earned from providing merger and acquisition consulting services, as well as assistance with the placement of new offerings of debt and equity securities, and is recorded when earned.

##### **Commissions**

Commissions are accrued at the time the related fee income is recognized.

## **Income Taxes**

The Company, with the consent of its stockholders, has elected under the Internal Revenue Code to be an S corporation. In lieu of corporation income taxes, the stockholders of an S corporation are taxed on their proportionate share of the Company's taxable income. Prior to the purchase described in Note 6, the Company was included in the consolidated federal income tax return filed by its parent, AXA financial, Inc. Income taxes were calculated as if the companies filed on a separate return basis, and the amount of current tax or benefit calculated was either remitted to or received from the parent. The amount of current and deferred taxes payable or refundable was recognized as of the date of the financial statements, utilizing currently enacted tax laws and rates. Income taxes based on the consolidated filing of the parent company return were accrued at December 31, 2004. This liability to the parent was forgiven as a part of the acquisition described in Note 6.

## **Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates which may have an impact on future periods.

## **4. Dividend**

As part of the purchase agreement, the Company paid a dividend of \$1,200,000 to the former shareholder before the purchase transaction described in Note 6.

## **5. Net Capital Requirement**

The Company is subject to the Net Capital Rule of the Securities and Exchange Commission (Rule 15c-3). This rule prohibits a broker-dealer from engaging in securities transactions when its aggregate indebtedness exceeds 15 times its net capital, as those terms are defined in the Rule, and also provides that equity capital may not be withdrawn, or cash dividends paid, if the resulting net capital ratio would exceed 10 to 1. At December 31, 2005, the Company had net capital of \$411,723, which was \$406,723 in excess of its net capital requirement of \$5,000. The Company's net capital ratio was .04 to 1 as of December 31, 2005.

## **6. New Basis Accounting**

Authorized capital stock of the Company consists of 10,000 shares of common stock, par value \$0.01 per share. There were 3,047 shares issued and outstanding as of December 31, 2004. On May 26, 2005, acting together, directors of the Company entered a stock purchase agreement with AXA Financial, Inc. to acquire all of the issued and outstanding common stock. The purchasers agreed to a cash purchase price of \$500,000 and accounted for this transaction using the purchase method of accounting. Excess of purchase price over the assets and liabilities purchased was determined to be \$124,778, but was reduced by noncash forgiveness of debt for an intercompany tax liability of \$104,475. This resulted in the creation of goodwill in the amount of \$20,303, including direct acquisition costs of \$7,011.

Immediately after the acquisition agreement, the Company purchased and retired 152.35 shares of stock for \$25,000 from one of the directors. Excess paid by the Company was charged to additional paid-in capital. As of December 31, 2005, issued and outstanding shares were 2,894.65, and additional paid in capital was \$217,737.

## **7. Related Party Transactions**

The Company has an agreement with an affiliated company, Matrix Capital Markets Group, Inc. (MCMG), in which the Company reimburses MCMG for expenses paid on behalf of the Company. Expenses covered under the agreement include outside labor, salaries, taxes, insurance, marketing costs, credit reports, subscriptions, travel expenses, use of furniture and fixtures, rent, postage, office supplies, accounting and legal services, and other general administrative and office expenses. The original agreement which was in place as of the purchase described in Note 6 was replaced October 2005.

During 2005, the Company recorded \$187,980 of allocable expenses payable to MCMG as a result of this agreement. At year-end, amounts due to MCMG represent reimbursable expenses of \$16,006.

\* \* \* \* \*



Certified Public Accountants  
Specialized Services  
Business Solutions

***Report of Independent Auditors on Supplementary Information  
Required by Rule 17a-5 of the Securities and Exchange Commission***

Board of Directors  
***Matrix Private Equities, Inc.***

We have audited the accompanying financial statements of ***Matrix Private Equities, Inc.*** as of and for the year ended December 31, 2005, and have issued our report thereon dated February 9, 2006. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 of the Securities and Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Goodman &amp; Company".

February 9, 2006  
Richmond, Virginia

4510 Cox Road, Suite 200  
Glen Allen, VA 23060-3394  
ph: 804.282.7636  
fax: 804.282.1461  
[www.goodmanco.com](http://www.goodmanco.com)

**Matrix Private Equities, Inc.**

**Computation of Net Capital for Brokers and Dealers Pursuant to  
Rule 15c3-1 Under the Securities Exchange Act of 1934 - Schedule I**

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**December 31, 2005**

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**Stockholders' equity**

Stockholders' equity qualified for net capital	\$ 432,845
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**Nonallowable assets and miscellaneous capital charges**

Other assets	21,122
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21,122

**Net capital**

\$ 411,723
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**Amounts included in total liabilities which represent  
aggregate indebtedness**

Accounts payable and accrued liabilities	\$ 16,006
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**Minimum net capital required (the greater of \$5,000 or 6-2/3%  
of aggregate indebtedness)**

\$ 5,000
----------

**Net capital in excess of minimum requirements**

\$ 406,723
------------

**Ratio of aggregate indebtedness to net capital**

.04 to 1
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**Note** There are no material differences between the amounts presented above and the amounts reported on the Company's unaudited FOCUS Report as of December 31, 2005.

The Company is exempt from reserve requirements and possession on control requirements under Rule 15c3-3(k)(2)(i).

*See report of independent auditors.*



**Report of Independent Auditors on Internal Control Required by  
SEC Rule 17a-5 for a Broker-Dealer Claiming an  
Exemption from SEC Rule 15c3-3**

Certified Public Accountants  
Specialized Services  
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Board of Directors  
*Matrix Private Equities, Inc.*

In planning and performing our audit of the financial statements and supplemental Schedule 1 of *Matrix Private Equities, Inc.* (Company), for the year ended December 31, 2005, we considered its internal control, including activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company, including test of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g)(1) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices followed by the Company in any of the following:

- Making quarterly securities examinations, counts, verifications, and comparisons
- Recordation of differences required by Rule 17a-13
- Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

Management is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition; and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with generally accepted accounting principles in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of the inherent limitations in any internal control or the practices and procedures referred to above, errors or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

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